World Inequality in the Twenty-First Century: Patterns and Tendencies*

Roberto Patricio Korzeniewicz  
Department of Sociology  
University of Maryland  

&  

Timothy Patrick Moran  
Department of Sociology  
Stony Brook University, SUNY


* Authors are listed alphabetically, direct correspondence to either.  Robert Patricio Korzeniewicz, Dept. of Sociology, University of Maryland, College Park, MD 20742, korzen@umd.edu. Timothy Patrick Moran, Dept. of Sociology, SUNY – Stony Brook, Stony Brook, NY 11794, timothy.p.moran@stonybrook.edu.
General interest in patterns of economic inequality has grown significantly over the last two decades, due in large part to public concerns and debates about the distribution of winners and losers over the course of globalization – the tension involved with negotiating perceived benefits in the face of profound social and economic inequalities. In Atkinson’s (1995) often-cited line, inequality has “come in from the cold,” resurfacing as a fundamental concern across the social sciences. In this contribution, we summarize and critically examine some of the complex debates within the social sciences over the impact of globalization on inequality between- and within- nations.

While most studies have come to acknowledge the long-term rise of between-country inequality over the nineteenth and twentieth centuries, and that this inequality constitutes today the single most important dimension of global stratification (for example, as shown by calculating the relevant weight of between-country inequalities to overall world inequality), there is an intense debate over trends in between-country inequality over the last two decades. For some, globalization has led to rising between-country inequality while for others globalization of production has led to considerable convergence. Debates on within-country inequalities also have been intense, particularly over whether and to what an extent ‘globalization’ and greater market integration over the past decades has led to an upsurge in inequality.

In the first two sections that follow, we shed light on these debates by focusing on the empirical and methodological underpinnings of these controversies. In the third section we argue that there is remarkably little substantive theorizing about the processes underlying either polarization or convergence in the world-economy. Similarly, theoretical frameworks are lacking from which to integrate the various national trajectories described in the within-country studies. While various studies have enhanced our understanding of specific dimensions of inequality, then, relatively less efforts have gone into theorizing inequality as a complex set of interactions that have unfolded over space and time as a truly world historical phenomenon. The underlying assumption of many studies, but also the constraining institutional reality of even how relevant data are collected, is that the nation-state constitutes the crucial and only possible unit of analysis. We conclude our contribution by advancing the proposition that shifting the unit of analysis from the nation-state to the world as a whole allows us to raise more productive hypotheses about the past
I. Between-Country Inequality: Divergence or Convergence?

The available empirical data on inequality between countries unequivocally shows that the global expansion of markets and/or capitalism over the past two centuries has been accompanied by a significant rise of such inequality (see Figure 1 below). Precise estimates of the timing and extent of this rise in inequality differ: some studies (e.g., Pritchett 1997; Davis 2001; Milanovic 2005) consider the rise to have originated in the nineteenth century, while others (e.g., Wallerstein 1974) trace the development of inequality to the very origins of the modern world-system. Most studies agree that by the late twentieth-century inequality between countries had become comparatively higher than most observed distributions (e.g., inequality within countries), and there is a consensus that inequality between nations account for the largest share of overall inequality.

(Figure 1 about here).

On the other hand, there is contention over whether these inequalities continued to grow or declined in the latter part of the twentieth century. In an earlier study, Korzeniewicz and Moran (1997) emphasized the continuing increase in between-country inequality in the late 1980s and early 1990s. In a more recent contribution, Milanovic (2005) concludes that while global inequality (combining data on between- and within-country inequality) has remained rather stable, inequality between countries declined slightly over the last two decades of the twentieth century -- but that this decline is smaller if we take into consideration growing regional disparities within China, and disappears altogether if China is excluded from the sample. Similarly, Wade (2004: 581) argues that by several measures, world inequality has been increasing over the last two decades; by one measure, average incomes per capita adjusted by purchasing power parities, between country inequality has declined, “[b]ut take out China and even this measure shows widening inequality.” Firebaugh (1999, 2003; see also Firebaugh and Goesling 2004) dismisses these more
qualified results with a more assertive emphasis on the declining importance of between-
country inequalities.

Interpretations on recent trends in inequality are highly sensitive to the indicators and
sampling procedures used by observers. Most studies showing a pronounced late twentieth-
century decline in income inequalities between nations (e.g., Firebaugh 2003) tend to use
national income data adjusted by Purchasing Power Parities (PPP), while studies relying on
exchange rate (FX)-based data (e.g., Korzeniewicz and Moran 1997) show income
inequality rising until the mid-1990s. Figure 1 above represents these trends: PPP-based
data show inequality between nations reaching a peak in the 1950s-1960s, and declining
thereafter (although not yet below the levels reached around World War II). FX-based data,
on the other hand, show inequality rising until the mid-1990s, to then decline slightly after
1995 (although not yet below the levels reached around 1980). PPP-based data increase the
national income of poorer nations (particularly China), thereby magnifying the rise of
inequality of the nineteenth and early twentieth centuries and showing a decline in the late
twentieth century, while FX-based data show a smaller increase in inequality in the earlier
period, starting from a higher rate, and a less dramatic decline in the late twentieth century
(see Figure 1 above).

Beyond the technical issues surrounding the production of PPP and FX-based data,
debates over which of these indicators is most relevant to the study of inequality reflects
different ways of thinking about the meaning of income as an indicator. For authors such as
Firebaugh (2003), data on income distribution are explored primarily to assess differences
between populations in their relative access to welfare. For others, data on income
distribution provide a lens through which to examine relations between populations: hence,
Arrighi and Bonini (2005: 15) indicate that “persistent differences in income [...] measure
differences in wealth, that is, in the purchasing power or command wielded by a particular
individual, group, or community over natural resources and the products and labor of other
individuals, groups and communities.” The choice of PPP- and FX-based indicators, then,
should be informed by the theoretical questions informing the exploration of income data.

But let’s leave aside for the moment the issue of trends in between-country inequality
over the last two decades, and return to this topic after identifying some key, broader
features of how relationship between between-country inequality and globalization is theorized (or not) in the literature.

We should begin by noting that changes in levels of inequality between countries, characterized by a rather sustained rise in inequality, have been very gradual. This is striking in and of itself, as the period and countries considered in Figure 1 above have been characterized by major shifts in the organization of production and consumption, widely different approaches to state regulation of markets, two World Wars, and revolutionary change (in different directions over time) among large swaths of the world’s population (e.g., Russia and China). Despite the turbulence implied in these transformations, and, observers might expect, their significant impact on global interaction, overall inequality between countries, as an output of global interaction, retained a remarkable stability. We would contend that inequality between countries in this sense is indicative of a system that for much of the last two centuries reached equilibrium, manifested in the long-term, gradual increase of world inequality.

To say that interactions between countries have constituted a system that reached equilibrium through most of the nineteenth and twentieth centuries is not to say that within this system there was rigidity and stability in the trajectories of individual countries during the same period. To the contrary, trends in inequality over the last two centuries indicate a considerable amount of mobility for individual nations. In the nineteenth century, for example, what are often ethnocentrically labeled as “countries of recent settlement” (e.g., Argentina, Australia, Canada, New Zealand and the United States), were characterized by very high rates of economic growth. In the late nineteenth and early twentieth century, much of Scandinavia likewise experienced growth in national income and standards of living. Japan stood out in terms of its rapid economic ascendancy after World War II, and was joined (particularly after the 1970s) by the so-called “East Asian Tigers.”

In short, since the early nineteenth century, we see both (i) a long-term stability of inequality (as indicated by groups of countries that have remained “poor” and “wealthy” over two centuries), and (ii) persistently, individual cases of “successful” upward mobility between these groups of countries. In this sense, individual mobility was consistent with the secular (and systemic) rise of inequality between nations. One aim, then, should be to theorize/understand the processes by which the distribution of world wealth can remain
stable (i.e., be systemic) and simultaneously change from one moment to the next (i.e., be historical) –how states can move up and down as the system stays the same.

There have been two prevailing approaches to theorizing these processes. In one approach, deeply rooted in the social sciences, inequality is viewed as a consequence of time lags in the process of modernization. In the various versions of this approach, wealth is a consequence of modernization, and the achievement of wealth by nations is indicative of relative success in embracing key elements of modernization. Usually depending on the disciplinary background of the observer, favored elements might include industrialization, free enterprise, rationality, efficient state institutions, democracy, social capital, and so forth. In this approach, inequality appears as a transitional phenomena, marking the distance between the nations that have already embraced modernization successfully (attaining wealth) and those that are yet to do so (remaining in poverty). Over time, as all nations converge towards universal practices and modes of thought, inequality is bound to disappear.

A recent example of this approach is provided by the work of Glen Firebaugh. According to Firebaugh (2003: 174), the rise (through most of the nineteenth century and the first half of the twentieth century) and decline (in the second half of the twentieth century) of inequalities between nations are explained primarily by the uneven spread of industrialization: “the most important cause of the inequality transition is the spread of industrialization to poor nations.. because industrialization took root first in richer nations, the spread of industrialization has boosted inequality across nations.. Now, however, the diffusion of industrialization works to compress inequality across nations.” In this interpretation, nations tend to be perceived as independent and autonomous entities that embark, albeit with differences in timing, in a universal process of transformation from tradition into modernity. Appropriate institutions are the main force allowing for effective industrialization, and the adoption of such institutions is facilitated by globalization.

An alternative approach has focused on the relational aspects that have characterized the systemic rise of inequality. In such approaches, inequality is viewed as a consequence of the comparative advantages that some nations have gained over others in their interaction. The relevant unit of analysis shifts from individual nations to overall patterns of interaction, and
inequality becomes expression of the inextricable links between success in some cases and failure in others.

An example of this alternative approach is provided by the work of Mike Davis. Davis (2001) focuses on the role of famines in the ‘making of the Third World’ over the late nineteenth century. As indicated by Davis (2001: 9), “we are not dealing [...] with ‘lands of famine’ becalmed in stagnant backwaters of world history, but with the fate of tropical humanity at the precise moment (1870-1914) when its labor and products were being dynamically conscripted into a London-centered world economy. Millions died, not outside the “modern world system,” but in the very process of being forcibly incorporated into its economic and political structures.’ For Davis (2001: 289-90), “the forcible incorporation of smallholder production into commodity and financial circuits controlled from overseas tended to undermine traditional food security,” while “the integration of millions of tropical cultivators into the world market during the late nineteenth century was accompanied by a dramatic deterioration in their terms of trade,” and “formal and informal Victorian imperialism, backed up by the supernational automatism of the Gold Standard, confiscated local fiscal autonomy and impeded state-level developmental responses –especially investments in water conservancy and irrigation—that might have reduced vulnerability to climate shocks.” As opposed to the modernization approach, then, the emphasis here is on how the expansion of wealth-generating activities went hand-in-hand with the destruction of existing patterns of production and institutional arrangements.

Of course, these two approaches do not exhaust the range of approaches that characterize the study of the relationship between globalization and inequality. A crucial contribution has been the work of Jeffrey Williamson. While O’Rourke and Williamson (1999) appear to agree that the world as a whole was characterized by greater inequality during the nineteenth century wave of globalization, they focus on convergence among wealthier nations (what the authors label “the Atlantic economy”). They find that

Convergence was ubiquitous in the late-nineteenth-century Atlantic economy, but it was mostly a story about labor-abundant Europe with lower workers’ living standards catching up with the labor-scarce New World with higher workers’ living standards, and of Argentina and Canada catching up with Australia and the United States. It was less a story about European industrial latecomers catching up with European Industrial leaders” (O’Rourke and Williamson 1999: 15-6).
For O’Rourke and Williamson, convergence within the Atlantic economy ended in the interwar period when globalization gave way to more autarchic policies that greatly constrained global flows of commodities and labor. Furthermore, they are careful to note that not all countries experienced the consequences of greater world market integration in the same manner, for the impact of this integration depended on the particular constellation of factors of production and institutional response that characterized different countries (as we’ll see in the next section, a parallel argument can be made and trends in within-country inequality today).

Although limited to the ‘Atlantic’ economy (and perhaps even the authors in question should be more careful about not extrapolating their conclusions to the nineteenth century world-economy as a whole), O’Rourke and Williamson make a crucial observation. Divergence and convergence in the global distribution of income most centrally involves the extent to which labor markets are integrated on a global scale. Late nineteenth century globalization generated convergence in incomes among the wealthier nations in the world-economy because it involved world migration flows that produced greater integration (at least among this limited group of nations). The restriction of such flows in the twentieth century reduced global labor market integration and strengthened –or, more accurately, reconstituted-- labor market segmentation along national boundaries.

Clearly, debates over the current impact of globalization on between-country inequality should take into account this particular relational dimension of recent developments. Regardless of whether using a PPP- or FX-based indicator to measure contemporary trends in income distribution, continued high rates of growth in India and China would result in further declines in between-country inequality. As we argue in greater detail in the third section below, such an outcome should be read, by those interested in shifting patterns of global interaction, not merely as indicative of growing industrialization in peripheral areas, but as a shift in the basic characteristics of operation of the world-economy. Before moving to this discussion, however, we shall briefly consider recent trends in within-country inequality.
II. Within-Country Inequality: Shifting Patterns of Inequality and Growth?

While the majority of the world’s inequality is generated by between-nation disparities, social science research since the 1950s (greatly influenced by the work of Kuznets: see Moran 2005) has paid considerable attention to trends in income inequality within countries. Built upon, and further constructing, the assumption that national units constitute the relevant unit of analysis for the study of inequality, this research is itself part and parcel of the trends discussed in the first part of this essay.

For example, much of the research in question focused on nationally-integrated markets (generally in wealthier countries) in order to model the relative importance of key variables (e.g., human or social capital) in explaining relative access to income, while paying considerably less attention to the continued relevance of ascriptive characteristics (e.g., nation of birth) in shaping integration and exclusion. At a more empirical level, the assumptions of this research both built upon, and further encouraged, the construction of national data on labor markets and income distribution – these data themselves constrained more and less practical ways of constructing units of observation and raising questions about patterns in income distribution.

In within-country inequality studies, regression analysis often is used to estimate the effects of various national characteristics (e.g., income level, type of political system) on a nation’s level of inequality. And like the between-country studies just outlined, those seeking to find overall patterns of within-country inequality find mixed results – some argue that, on average, national inequality changes very little over time (Li, Squire and Zou 1998), while others suggest that such inequalities are markedly increasing (UNDP 2005). The majority of cross-national studies analyzing the latest data, however, find no simple, systematic relationship between average income levels and/or subsequent growth and changes in income inequality for nations on average (Anad and Kanbur 1993b; Bruno, Ravallion, and Squire 1998; Deininger and Squire 1996, 1998; Kim 1997; Li, Squire and Zau 1998; Lipton 1997; Ram 1997; Ravallion 1995). One of the most important indirect conclusions of these studies is that levels of within-country inequality vary significantly by region. In broad terms, Latin America and to some extent Sub-Sahara Africa (although data is more sketchy here) register the highest levels of inequality in the world, while Asian and some of the high-income countries of the global North register the lowest.
Yet even within these broad regional tendencies, we see considerable variation in how different degrees of market integration have interacted among nations with particular constellations of factor endowments and specific institutional arrangements to result in different patterns of distributional change within nations. This means that rather than a single pattern among nations according to their level of income or of world market integration, we should expect variations in the trajectories of within-country inequality over the last twenty years.

**Inequality in the Global North.** In the early 1980s researchers in the United States and the United Kingdom began to notice that, after a long period of relative stability, the distribution of income was becoming noticeably more unequal. This phenomenon, coined the “great U-turn” by Harrison and Bluestone (1988), has spurred a vigorous and wide-ranging search for the socioeconomic version of the “smoking gun” (Gustafsson and Johansson 1999). The overarching characteristic of the literature since the 1980s is its emphasis on answering two interrelated questions: 1) To what extent are various forms of economic restructuring driving inequalities in the global North? 2) To what extent are political contexts and institutional configurations impacting the distribution process?

Most arguments concerning inequality in the global North tend to implicate various forms of economic restructuring – shifting patterns of trade, increased capital and labor mobility, increased economic competition (deindustrialization), the rise of the skill-based economy – that fall under the “globalization” rubric (Alderson and Nielsen 2002). The conventional argument is that the combined impact of these changes has drastically altered the relative demand for and supply of skilled and unskilled workers, generating downward pressures on the wages of the unskilled, while dramatically increasing returns to the skilled (Berman, Bound, and Griliches 1994; Bound and Johnson 1992; Katz and Autor 2000; Murphy and Welch 1993). This in turn creates a bifurcated earnings distribution: falling (or at least stagnating) wages at the bottom combine with rapidly rising wages at the very top to produce a distribution where the middle is increasingly “hollowed out.” This bifurcation in earnings then acts as the driving force behind rising income inequality between households (Bluestone and Harrison 1982; Harrison and Bluestone 1988).
Since economic restructuring like the sort described above characterizes the global North more broadly, both academic and popular interpretations tend to discuss rising inequality as a nearly universal outcome of these processes in the 1980s and 1990s (Friedman 2000; Smeeding 2002). As summarized by Ram (1997:577), “[t]he somewhat cheerless distributional position recently noted for the U.S. seems to characterize most of the postwar developed world.” Yet scholars have begun to question the extent to which trends in the United States and United Kingdom were replicated throughout the global North, arguing that technological change has been less skill-based in parts of Europe than in the U.S. and U.K., and that returns to education and skill increased less sharply in these areas (because the supply of skilled workers increased faster), leading to “less of an increase, or even no change” in wage inequality in these countries (Acemoglu 2002:1).

Another line of interpretation has emerged around the general idea that political contexts and institutional frameworks have important distributional consequences. Some argue, for example, that European labor policies and wage-setting institutions mitigate the tendency toward increasing earnings inequality (Acemoglu 2002; Blau and Kahn 1996; Freeman and Katz 1995; Nickell and Bell 1996). In particular, many studies find that labor union density significantly reduces inequality (Alderson and Nielsen 2002; Freeman 1993; Gustafsson and Johansson 1999), and that strong leftist government (Bradley, et al. 2003; Brady 2003; Kelly 2004), high levels of democratic participation (Mueller and Stratman 2003), and low public tolerance for inequality (Lambert, Millimet, and Slottje 2003) are all associated with more equal income distributions.

Applying new statistical techniques to the income surveys of the Luxembourg Income Study (LIS), for example, Moran (2006) finds that, while inequality did surge in the United States and United Kingdom, the prevailing pattern in the global North is the one found in Continental Europe (and Canada) where relatively moderate levels of inequality have held constant over the last twenty years (with a few countries experiencing declining levels of inequality). Figure 2 plots the inequality trends for four selected high-income countries, illustrating these contrasting patterns. As seen in the figure, there are large differences in inequality trajectories for rich nations, suggesting that “globalization” has not usurped the importance of national policy or led to the insignificance of the state; as in the late nineteenth century in our earlier discussion, these patterns suggest that even with similar
degrees of integration into world markets, not all high-income countries follow a single, common trajectory.

(Figure 2 about here).

**China and India.** China and India are widely described as the success stories of globalization, and indeed their sustained growth over the last two decades is well-documented. Yet it is worthwhile noting that here, too, the particular path followed by each country has not been the same. Overall, the available data (limited as they are) suggest that growth in China has been accompanied by a considerable increase in within-country inequalities during transition (see e.g., Hauser and Xie 2005; Khan and Riskin 2005; Meng 2004; Meng, Gregory, and Wang 2005). While in India, a long time series of household consumption data collected by the National Sample Survey Organization (NSSO) shows much greater stability in overall within-country inequality (see Figure 3 below). In China, increases in inequality are most pronounced among urban households, while in India distributional stability – if not declining levels of inequality – exists both in the rural and urban populations.

(Figure 3 about here).

High rates of per capita income growth suggest large, sweeping gains across these highly populated nations, but a closer look reveals these gains to be unequally distributed within both China and India, between urban and rural areas, and between more and less affluent regions of the countries. Table 1 provides some indications of the complex forces shaping inequality in China. The table presents income and expenditure data across selected provinces for 2003. The provinces are divided geographically between the southeastern coast – where economic reforms were intentionally designed to “develop” these now more affluent areas first – and the much poorer western interior. Vast rural-urban inequalities are well documented in China (see Skinner 1994) and the figures in Table 1 evidence this trend. In Shanghai province, for example, the average urban household has approximately 45 percent more disposable income than the average rural household; in Jiangsu the average
urban household has 46 percent more. The rural/urban ratios are much larger in the wealthier provinces than they are in the poorer interior.

The figures in Table 1 are further divided by rural and urban households within each province (thus controlling somewhat for the differential size of these populations across regions), revealing that the degree to which labor markets are integrated into the global scale have important sub-national dynamics. Living expenditures and disposable incomes are much higher for both rural and urban households – sometimes twice as high or more – in the four coastal provinces than in the interior ones. While there is wide differentiation of incomes across regions, the sources of income are also much different. In the wealthier coastal areas, much higher percentages of rural household income is derived from wages and salary, but for urban households, these figures are comparable.

(Table 1 about here).

Similarly, in India high national growth rates belie considerable regional variation in living standards, where inequalities between states interact with income- and gender-based inequalities. Table 2 compares several education and health measures across selected Indian states in the 1998-1999 period. Literacy rates in Kerala, for example, are in line with those see in Mexico (although the gender gap is larger in Kerala), while rates in Bihar (including the gender gap) are lower than those in the Sudan. That 94 percent of births in Kerala are attended by a health professional (the same as Venezuela) stands in stark contrast to the 23 percent in Bihar, which is a lower percentage than Rwanda and Haiti. Similarly, the under-5 mortality rate for India as a whole is about the same as Ghana, but in Kerala it is less than Argentina and Russia, and in Madhya Pradesh, it is greater than Kenya and Senegal. In India, as in many parts of the world, it is not just where you live, but where you live and if you are a girl or a boy. In Bihar, Rajasthan, and Madhya Pradesh, less than half of females over 6 years old are literate, and the majority of women never went to school.

(Table 2 about here).
The large variance around the national averages in both China and India shows how national-level measures, and broader discussions of these country’s “globalization” processes, miss key distributional dynamics. Important rural/urban and inter-regional segmentations underlie overall national patterns, illustrating how various sub-national production processes and institutional responses create multiple distributional outcomes, and reflecting how different Chinese and Indian labor markets are differentially integrating into the world-economy.

East Asia and Latin America. It is now widely argued under the rubric of an “East Asian Miracle” that the countries in this region were able to experience rapid economic growth without significant increases in inequality in the last half of the twentieth century (Birdsall, Ross, and Sabot 1997; Fei, Ranis, and Kuo 1979; Findley and Wellisz 1993; World Bank 1993). This “growth with equity” pattern is usually juxtaposed with its socioeconomic opposite in Latin America where recurrent economic recessions since the 1960s coincide with persistently high levels of inequality (Hoffman and Centeno 2003; Korzeniewicz and Smith 2000; Morley 1995). As indicated by Williamson (1991:10), “the initial Latin inequality may create a path-dependent inegalitarian regime throughout the Latin industrial revolution, just as the initial East Asian equality may create a path-dependent egalitarian regime throughout the East Asian industrial revolution.” In Figure 4, we plot inequality trends in select countries illustrating the contrasting regional trends.

(Figure 4 about here).

Lower initial inequality in East Asia is generally attributed to major reforms following World War II that confiscated and redistributed land and other assets, and imposed progressive taxation on wealth. For some countries, such government policies reflected a concerted “shared growth” approach to development that struck a more equal balance between rural and urban public investment –wide adoption of Green Revolution technology, high investments in rural infrastructure, limited taxation of agriculture– allowing rural incomes and productivity to rise more rapidly in East Asia than in other regions, and thereby lessening the distributional impact of rural-urban disparities. For example, the government
in Indonesia used rice and fertilizer price policies to raise rural incomes, and in Malaysia introduced explicit wealth-sharing programs to improve the lot of ethnic Malays relative to the better-off ethnic Chinese (World Bank 1993).

In the subsequent decades, inequality remained low not only because of continued investment in rural nonagricultural activities, but also because of the East Asian commitment to equitable access to education, which led to a rapid deepening of skills among the working population and widespread increases in human capital.

The East Asian pattern sits in stark contrast to the persistent inequality characterizing Latin America. Here, income polarization is historically grounded in a highly unequal distribution of land and access to educational opportunities. Lack of significant land reform, combined with industrialization and urbanization transitions which excluded the poorest sectors of the population from educational opportunities and steady employment, has led to a concentration of the gains derived from economic expansion among skilled and/or organized workers (Edwards 1995; Korzeniewicz and Smith 2000; Lustig 1995; Morley 1995). Furthermore, as opposed to expanding legislative protection, recurrent economic recessions since the 1960s have been accompanied by sharp cuts in social spending that eroded the non-wage income of the poor (Edwards 1995; Rosenthal 1996). Finally, recent analyses indicate that the employment opportunities generated by market reforms and trade liberalization are widening income gaps between skilled/educated workers and unskilled/informal workers. In Latin America, these different elements have combined to produce highly unbalanced economic growth, and persistent and often deepening inequality.

III. Parts and the Whole: Theorizing World-Historical Inequality.

As summarized above, the recent literature has produced valuable insights on such diverse issues as the social effects of rising inequality (particularly in the United States but elsewhere as well), the relationship between rising inequality in some wealthy countries and new patterns of production (e.g., the decline of manufacturing and the growth of the service sector), and regional patterns of inequality (such as the “growth with equity” phenomena in East Asia and the “persistent inequality” pattern of Latin America). These insights have enhanced our understanding of these specific dimensions of inequality.
Yet as in “The Blind Men and the Elephant” metaphor, existing studies of both between- and within-country inequalities can be “partly in the right” in describing what they perceive. But they are “in the right” only within the particular boundaries of the sphere they choose to describe, and with the specific scopes (e.g., data, techniques, assumptions) through which observations are made. Hence, various “parts” are adequately described, but what is required is an alternative way of theorizing this whole, that is, to account for inequality as a complex set of interactions (e.g., occurring simultaneously within- and between-countries) that have unfolded over space and time as a truly world historical phenomenon.

To begin constructing such an explanation, we draw some elements of the arguments advanced by Simon Kuznets (1955), who argued that inequality within nations rises in the early stages of economic growth, becomes more pronounced at intermediate levels of development, and decreases thereafter as countries become wealthy. Kuznets attributed this pattern to (i) the compositional effects of population shifts from rural to urban sectors; and (ii) institutional development shifting power among different factors of production.

Theories bear the imprint of the times in which they are constructed. Formulated when capitalist development was assumed to be concomitant with industrialization, and industrialization was conceived as the highest stage of such development, Kuznets’ hypothesis on the relationship between capitalist development and inequality assumed that this relationship took place within a single transition of individual nations (from the production of raw materials to the production of manufactures, or from rural to urban societies, or from traditional to modern arrangements). Both the demographic transition and the institutional transformations that were predicted to follow were assumed by Kuznets to be embedded within this universal process of national transitions to modernity. Modernization, then, entailed a nationally-based transformation (i.e., nations constituted the appropriate unit of analysis), and a singular, universal transition between two distinct distributional arrays (rural and urban) (some recent authors, such as Firebaugh 2003, continue to share this ‘modernization’ paradigm).

But there are important alternative ways of understanding capitalism. In a key and influential contribution, Joseph Schumpeter suggests that instead of a single transition from one state of equilibrium to another, we should conceive of capitalism as entailing continuous transformation. For Schumpeter (1942: 82-3),
In the Schumpeterian model, the introduction and clustering of innovations disturb existing economic and social arrangements. Over time, this is the fundamental process driving cycles of prosperity (characterized by intense investment in new productive opportunities) and depression (characterized by the broader absorption of innovative practices and the elimination of older activities).

In recent decades, Schumpeter’s insights have been influential within a number of economic growth perspectives. Endogenous growth theory, for example, brought renewed attention to the “virtuous cycles” (e.g., involving investments either in human capital and/or research and development) that enhance the ability of wealthy nations to continue to grow through technological innovations (for various formulations of such arguments, see Aghion and Howitt 1992, 1997; Barro and Sala-I-Martin 1995; Romer 1990). Deploying these insights within a world-systems approach, Arrighi and Drangel (1986:20) suggest that Schumpeter’s arguments can be read “as a description of core-periphery relations in space, instead of a description of A-B phases in time.”

Here, we want to indicate that Schumpeter’s interpretation on the (a) revolutionary and (b) destructive character of capitalist development has profound implications for understanding world historical patterns of inequality. After replacing the “modernization” assumptions of the original inverted U-curve hypothesis with a Schumpeterian emphasis on capitalist economic growth as entailing constant “creative destruction,” any long-term stability (such as assumed by Kuznets) following the overall transition from the distributional array “traditional” to the distributional array “modern” can only be expected to be brief. Indeed, any apparent “span of comparative quiet” constitutes an extraordinary respite from the “discrete rushes” of transformation that characterize capitalism over time.

In other words, if, indeed, capitalism and economic growth involve “incessantly revolutionizing the economic structure from within, incessantly destroying the old one, incessantly creating a new one. This process of Creative Destruction is the essential fact about capitalism. It is what capitalism consists in and what every capitalist concern has got to live in.”

incessantly creating a new one,” we should substantially revise our depiction of the pattern of demographic transitions between distributional arrays that is most likely to prevail. Rather than a single and fundamental transition between two distinct distributional arrays (culminating in universal “modernization”), we should expect capitalism and economic growth to result in multiple and overlapping demographic transitions between many distributional arrays that never cease to emerge anew, prevail for a time, and eventually be left behind—a process we might characterize as generating a “constant drive toward inequality.”

To the extent that Schumpeter’s version of “creative destruction” accurately captures key features of capitalism, capitalist economic growth entails the continuing prevalence of the compositional effects that result from constantly shifting populations across distributional arrays. In this sense, to the extent that an “emerging” array is characterized by higher income levels of its participants (relative to previous arrays), processes of demographic transition between such arrays produce a “constant drive toward inequality,” even if (as emphasized by Kuznets) the distribution within “emerging” arrays are more egalitarian than that of preceding arrays. Capturing such outcomes, however, requires observers to focus not on states of equilibrium, but on processes of change.

Indeed, such a “constant drive toward inequality” would help explain the long-term stability of high levels of inequality between countries and the constraints on upward mobility faced by nations in the world-economy. Historically, policy-makers and business entrepreneurs in some nations have been able to design innovative strategies of growth that exploit the rigidities of prevailing economic and institutional arrangements (along similar lines, see Arrighi and Drangel 1986). On occasion, such innovative strategies have generated sufficient momentum to allow for significant upward mobility in the world-economy of individual nations (such as Canada or Australia in the nineteenth century, Sweden and other Scandinavian countries in the late nineteenth century, Japan in the 1950s, South Korea in the 1980s and 1990s). But in the wake of all such successful transitions policy-makers in international agencies and in poorer countries have strived to follow on the track of innovators and catch up with wealthy nations by adopting whatever panacea seeks to distill the key ingredients of the success story of the moment. These efforts at diffusion have invariably been less successful, as efforts to generalize such strategies end up diluting,
precisely, the innovative character of the original strategies. Furthermore, the very process of innovation, as Schumpeter tells us, serves to “incessantly destroy” established arrangements, contributing to the constant relative impoverishment of those areas of the world-economy in which such arrangements are more prevalent. Rather than simple industrialization, or a universal transition from tradition to modernity, successful economic growth historically has involved meeting a moving target of innovative practices.

Formulating the relationship between economic growth and inequality in this manner also helps our understanding of the recent increase in inequality across several wealthy countries. While rising inequality in wealthy countries was indeed difficult to explain within a modernization paradigm that saw urbanization and industrialization as a final endpoint, this rising inequality can be more elegantly explained within the type of framework we are proposing here. Indeed, processes of Schumpeterian innovation have led to technological changes that have pushed large sectors of the labor force in wealthy nations out of the type of jobs and social arrangements that Kuznets envisioned as key to the growing empowerment of labor that would accompany urbanization. Deindustrialization and the rise of the service sector, as emphasized by much of the literature, can be expected to continue to be accompanied by new patterns of stratification in the labor force.

Institutional practices are key in altering the distribution of competitive pressures across the world-economy. Collective actors and states can have a significant impact in accentuating or diminishing the constant drive toward inequality by (a) modifying the extent to which different sectors within a distributional array are included/excluded from processes of growth; and (b) shaping the distribution of the gains and losses that result from such growth. Hence, the precise manner in which institutional and political processes intervene most effectively itself varies through time and across place -- from tax and/or wage-setting policies, to strategies that promote or hinder the acquisition of skills among different sectors of the population, to regulating entry into markets. In this sense, while creative destruction leads to the constant drive toward inequality identified above, economic growth takes place within institutional arrangements that have a direct impact on the distribution of resources among different groups of people.

From the point of view of the argument advanced in this essay, for example, the decline in inequality experienced in several wealthy countries earlier in the twentieth century can be
interpreted to have been to a large extent the consequence of the introduction of wage-setting institutions among the countries in question. True, much of the literature emphasizes the importance of macroeconomic trends that enhanced the demand for unskilled labor (thereby reducing wage differentials), unionization or favorable state policies (see, for example, Galbraith and Berner 2001). But also of crucial importance was the introduction of restrictive international migration policies that reduced competitive pressures in national labor markets (e.g., see Williamson 1991), and provided opportunities for (some but not other) rural populations to rapidly enhance their incomes by moving to urban areas, thereby contributing further to declines in within-country inequality in wealthier nations.¹⁶

The trend toward declining inequality that characterized wealthy countries in the mid-twentieth century, the more recent East Asian trajectory and the current continental European pattern, all provide evidence as to the impact of institutions in altering the relationship between growth and inequality.¹⁷ The three trajectories all suggest that institutional arrangements indeed can modify the extent to which different sectors within a distribution are included/excluded from processes of growth, thereby ameliorating the “constant drive toward rising inequality” that might characterize economic growth.

The manner in which institutions intervene most effectively varies from case to case. In the mid-twentieth century trajectory, restrictive migration policies had a significant impact in reducing competitive pressures among the unskilled. In East Asia, as we indicated earlier in the essay, intervention aimed at promoting the incorporation of new technologies into agriculture or facilitating access to new skills by the rural population or recent rural migrants. In continental Europe, the expansion of access to skills to education was accompanied by trade union and government efforts to restrain wage gaps between the skill and unskilled. What all these instances share in common, is that institutional efforts played a significant role in facilitating the inclusion of sectors of the population that were left behind as an outcome of processes of capitalist innovation and growth.¹⁸

But institutions should be understood as relational mechanisms of regulation, operating within countries while simultaneously shaping interactions and flows between nations. In this sense, the same institutional mechanisms through which inequality historically has been reduced within nations often have accentuated the exclusion from wealthy markets of populations from poorer countries.¹⁹
In other words, institutions often displace competitive pressures from one population into others. For example, even Olson (1982: 163) acknowledges, in the particular case of South Africa, that “[t]he denial of various skilled and semi-skilled jobs to Africans not only raised the wages of the European (and sometimes Coloureds and Asian) workers, but it also crowded more labor into the areas that remained open to Africans, making the wages there lower than they would otherwise be.” The same observation can be extended to other situations. Boserup (1970), for example, contends that over the initial process of economic growth, males were often able to use property rights and institutional arrangements as a means for obtaining significant competitive advantages over women. Davis (2001) argues that colonialist expansion in the nineteenth century entailed a strengthening of state capacity in wealthy countries and a dismantling of such a capacity in what became (to a significant extent, through such an uneven process) the third world.20 The situations differ in character, but they converge in underscoring the crucial role of institutions in shaping competitive pressures and the markets thereby constituted.

To use a broader and most significant example, greater national regulation of international migration after the early twentieth centuries certainly reduced competitive pressures among workers within wealthy nations (and thereby contributed to the declining phase of within-country income inequality observed by Kuznets in his original study). But at the same time the constraints imposed on international migration accentuated competitive pressures in labor markets elsewhere in the world, and in the process eliminated for much of the twentieth century one crucial set of mechanisms for reducing the income gap between countries (i.e., the transfer of populations from poor to wealthy nations and the transfer of income—e.g., through remittances—from wealthy to poor areas). 21

This segmentation of the world labor market goes far in explaining the divide between wealthy and poor countries in the last two centuries. As we have indicated earlier, its development went hand-in-hand with the formulation of twentieth-century social science approaches that naturalized this segmentation by uncritically assuming the national boundaries that constituted segmentation to provide the only reasonable boundaries for constituting social inquiry. From the point of view of world income inequalities, what today we call globalization has served to challenge this segmentation and its accompanying assumptions.
This challenge has not emerged subtly and gradually; like an elephant in a china shop, it has altered dramatically existing expectations about the stability of prevailing arrangements. Over the long twentieth century, institutional arrangements and market mechanisms generally combined in ways that reduced inequality within high income nations, by simultaneously generating or strengthening constraints that accentuated inequalities between nations. From the point of view of world labor market segmentation, growing income disparities between nations generated strong incentives and opportunities (e.g., drastically lower wages in poor countries or more limited market regulation) for “outsourcing” skilled and unskilled jobs to peripheral countries in a “market bypass” that in effect has been overcoming twentieth century constraints on labor flows. In this sense, the high rates of economic growth that have characterized China and India in recent years are indicative of a breakdown of existing forms of segmentation, a breakdown that can potentially give way to significant convergence between poor and wealthy populations in the world-economy.

But convergence is likely to entail a tradeoff between within- and between-country inequality, and such a tradeoff is at the heart of current tensions and debates over the future of “globalization.” Late nineteenth-century globalization entailed both the expansion of markets and their simultaneous regulation (Karl Polanyi’s ‘double movement’), and eventually led to what some (e.g., O’Rourke and Williamson 1999) have characterized as a period of greater national autarchy. The current competitive pressures unleashed by the growth of China and India could generate a backlash of protectionism, in an effort to reconstitute greater segmentation.

But growth in China and India could continue at high rates, in which case not only would inequality between-nations undergo a significant decline: in fact, such a decline would be indicative of an end to the equilibrium that characterized the development of the world-economy as a system. For as opposed to earlier individual transitions and trajectories of national mobility that characterized the history of this world-economy, the continued rise of China and India at current rates would challenge the segmentation of the world labor market through national boundaries, a segmentation that was at the very heart of the trends we have observed in relation to world inequality over the development of the modern world-economy.
IV. Conclusions

This contribution has argued that economic growth, unfolding through institutions embedded in time and space, produces a constant drive towards inequality that results in a multiple and overlapping matrix of distributional arrays, an overall income distribution (e.g., within- and between- countries) that is both systemic and historical. Conceiving of world inequality in such a way, allows us to understand why studies focusing on partial aspects of this phenomenon (or drawing on data constructed within the boundaries of the nation-state as the most relevant and sole unit of analysis) can generate contending interpretations on trends in the impact of globalization on between- and within-country inequality.

If indeed we are experiencing the transformation of the modern world-economy (and this transformation is not yet certain), it is difficult to foresee what patterns in inequality would follow such a systemic change. Will new equilibria be attained? Will regional and other forms of within-country inequality increase in relative and/or absolute terms? How will world markets interact with regulation from national governments and supranational agencies to produce new institutional configurations? Will these arrangements provide people around the world with greater freedom? These questions underline that in thinking about patterns and tendencies in world inequality as we move further into the new millennium we might deal, indeed, with a different elephant altogether.

Facing such systemic change, it is perhaps futile to anticipate future developments by drawing primarily on the experiences of past trajectories. Such experiences will continue to be relevant only to the extent that current trends are reversed and boundaries (perhaps no longer solely national) between poor and wealthy populations are once again reinforced. If not, contemporary observers fifty years hence are likely to revisit contemporary debates on globalization and inequality, if at all, only to recall with their bemused audiences the short-sighted perspectives of their naïve predecessors.
Endnotes

1 Illustrating this divergent interpretations, contrast Adam Smith’s (1976: 16) assertion in the 1770s that “the accommodation of an European prince does not always so much exceed that of an industrious and frugal peasant, as the accommodation of the latter exceeds that of many an African king,” to Mike Davis’ (2001: 16) recent indication that until the latter half of the nineteenth century “[t]he differences in living standards, say, between a French sans-culotte and Deccan farmer were relatively insignificant compared to the gulf that separated both from their ruling classes.”

2 Milanovic (ND: 27), for example, notes that “the current dollar inequality.. reaches a Gini of 80 (sic) in 1993.., the highest income or expenditure Gini coefficient ever reported.” In a detailed combination of within- and between-country data, Milanovic (ND: 34) calculates inequality between countries to account for roughly two-thirds of overall world inequality in 1993.

3 Lindert and Williamson (2001) observe rising inequality between nations, but argue that the forces usually identified as ‘globalization” have tended to reduce rather than enhance such inequality.

4 The PPP adjustment of national income data aims at recalculating the estimated volume and value of the production of goods and services. The basic principle of such an adjustment is that goods and services are undervalued in poorer countries. The actual process of conducting such estimates is extremely complicated and expensive, and the collection of the relevant data has been irregular and fairly infrequent. We examine these issues in great detail in Korzeniewicz, Stach, Patil and Moran (2004).

5 Firebaugh (2003: 148) himself notes that “[w]hen China is removed.. the annual rate of income growth for LDCs falls to 2.3 percent, which is lower than the growth rate for industrial market nations –again pointing to the importance of China in determining the direction of the trend in between-nation income inequality.”

6 Additionally, the current mode of adjusting national income data by PPPs is certainly unwarranted to study historical trends in inequality, as a single benchmark adjustment is made for contemporary data, and the same adjustment is projected back for two hundred years. By this procedure, the relative weight of the PPP adjustment increases significantly over time (explaining why the rise in world income inequalities is made more dramatic by the use of PPP data).

7 For a similar point, as indicated in the late eighteenth century by Adam Smith (1976), “[h]alf an ounce of silver at Canton in China may command a greater quantity both of labour and of the necessaries and conveniences of life, than an ounce at London. A commodity, therefore, which sells for half an ounce of silver at Canton may there be really dearer, of more importance to the man who possess it there, than a commodity which sells for an ounce at London is to the man who possess it at London. If a London merchant, however, can buy at Canton for half an ounce of silver, a commodity which he can afterwards sell at London for an ounce, he gains a hundred per cent by the bargain, just as much as if an ounce of silver was at London exactly of the same value as at Canton. It is of no importance to him that half an ounce of silver at Canton would have given him the command of more labour and of a greater quantity of the necessaries and conveniences of life than an ounce can do at London. An ounce at London will always give him the command of double the quantity of all these, which half an ounce could have done there, and this is precisely what he wants.”
Firebaugh contends that his theorization represents a significant challenge to what he calls “the Trade Protest Model.” Firebaugh (2003: 16) indicates that the arguments of this model can be characterized as:

Globalization \rightarrow \text{global inequality}

By contrast, Firebaugh (2003: 194) characterizes his own theoretical approach as:

Globalization \rightarrow \text{narrowing of institutional differences across nations} \rightarrow \text{reduction in between-nation inequality} \rightarrow \text{reduction in global inequality}

As we discuss in this piece, this “approach” tends to ignore key contributions and debates on the relationship between globalization and inequality.

The quality and comparability of these data is questionable at the very best, and Figure 3 should be read with exceptional care, especially for China. For example, in the Rural Household Survey, selected households are asked to keep a written record of their incomes and expenditures, automatically excluding the significantly large (and poor) illiterate population. In the Urban Household Survey, only residents with urban status are surveyed, thus excluding the significantly large (and poor) rural to urban migrant population. In all cases, nontrivial changes in measurement and methodology over the years would cause the Gini index to shift irrespective of shifts in the underlying income distributions. In both China and India, overall distribution estimates are derived via procedures that pool rural and urban distributions using population shares as weights.

Data for these country comparisons are taken from the 2005 Human Development Report.

A similar interpretation, albeit with a different account of the intervening mechanisms at hand, is advanced more recently by Baumol (2002: viii), who argues that “what differentiates the prototype capitalist economy most sharply from all other economic systems is free-market pressures that force firms into a continuing process of innovation, because it becomes a matter of life and death for many of them. The static efficiency properties that are stressed by standard welfare economics are emphatically not the most important qualities of capitalist economies.” For a related perspective, see also North (1981): “[t]he major source of changes in an economy over time is structural change in the parameters held constant by the economist –technology, population, property rights, and government control over resources.”

Kuznets (1940) was critical in his own review of Schumpeter’s work on business cycles, indicating doubts about the empirical accuracy of Schumpeter’s account in regard to the clustering of innovations in cycles. There is a vast literature and extensive debates on the existence of periodic cycles of innovation, their causes and implications (see, for example, Aghion and Howitt 1992 and 1998; Dinopoulos and Segerstrom 1999; Forbes 2000; Francois and Lloyd-Ellis 2003; Goldstein 1988; Maddison 1982; Mansfield 1983; Rostow 1978; Thompson 1990). While these debates are important, whether the type of innovations emphasized in this essay can be observed in cycles is not central to our arguments regarding the impact of change on inequality.

In fact, Schumpeter has had a tremendous impact across the social sciences. Recently, his ideas have been incorporated in research ranging from the workings of democracy to outsourcing and other “globalization” issues. For our purposes here, we are focusing on his more detailed arguments concerning processes of creative destruction.

Among such multiple and overlapping transitions, those characterized by most unbalanced growth are of course most likely result in rapidly rising inequality (Williamson 1991).
We should note that such a perspective on the character of economic growth is already fairly common among several approaches in the social sciences. For example, even in his earlier formulations of a world-systems approach, Wallerstein (1989: 71) emphasized that the unequal exchange that characterized core and peripheral countries was not necessarily centered on an agricultural/industrial divide: “[w]hat products are exchanged in… ‘unequal exchange’ are a function of world technology. If in the sixteenth century, peripheral Poland traded its wheat for core Holland’s textiles, in the mid-twentieth-century world, peripheral countries are often textile producers whereas core countries export wheat as well as electronic equipment. The point is that we should not identify any particular product with a structural sector of the world-economy but rather observe the wage patterns and margins of profit of particular products at particular moments of time to understand who does what in the system.” Arrighi and Drangel (1986: 56) explicitly sought to bring a Schumpeterian emphasis on processes of creative destruction to reconceptualize world economic zones (periphery, semiperiphery and core) and the characteristics of productive characteristics in each, concluding in fact that “the industrialization of the semiperiphery and periphery has ultimately been a channel, not of subversion, but of reproduction of the hierarchy of the world-economy.” Partly reflecting Arrighi’s influence in reformulating this particular aspect of a world-systems approach, Wallerstein (1996) himself would later emphasize to a greater extent the impact of processes of ‘creative destruction’ on product cycles and the spatial organization of production and consumption in the world-economy.

Williamson (1991: 17), for example, argues that declining inequality in industrialized countries after the 1930s was chiefly the outcome of pre-fisc forces altering returns to skilled and unskilled sectors of the labor force in favor of the latter, and indicates that key to these forces was “an erosion in the premium on… skills, and [a] relative increase in unskilled labor scarcity.”

Thus, “the institutional and economic arrangements which make the human capital accumulation response rapid in some countries (like East Asia) and slower in others (like Latin America) clearly will play a role in determining whether a Kuznets curve will be more pronounced in some countries compared with others” (Williamson 1991: 27).

Observers often note that efforts to provide protection to lagging sectors of the population through market regulation eventually are bound to fail. But Polanyi (1957: 36) reminds us that “such a view seems to miss the point altogether. Why should the ultimate victory of a trend be taken as a proof of the ineffectiveness of the efforts to slow down its progress? And why should the purpose of these measures not be seen precisely in that which they achieved, i.e., in the slowing down of the rate of change?.. The rate of change is often of no less importance than the direction of the change itself; but while the latter frequently does not depend upon our volition, it is the rate at which we allow change to take place which well may depend upon us.”

Such an outcome would not have been surprising to Adam Smith, who in a different context understood combinations restricting entry to markets as efforts by producers and traders in wealthy areas to limit competition (so as to maintain relatively higher wages and profits). Tilly (1998: 91) refers to such arrangements as opportunity hoarding: “[w]hen members of a categorically bounded network acquire access to a resource that is valuable, renewable, subject to monopoly, supportive of network activities, and enhanced by the network’s modus operandi, network members regularly hoard their access to the resource, creating beliefs and practices that sustain their control. As in exploitation, a boundary separates beneficiaries from others, while unequal relations across the boundary connect them.”

We should note that although O’Rourke and Williamson (1999) emphasize the relational
aspect of development in the ‘Atlantic’ economy, they pay less attention to the story of how differences in the development of state capacity in wealthier and poorer countries was a crucial aspect of nineteenth century globalization.

21 Thus, a recent study indicates that “even a small liberalization of international migration restrictions” would have a significant impact in alleviating poverty, enhancing efficiency and reducing the income gap between poor and wealthy nations (Moses and Letnes 2004: 1609; along similar lines, see also Adams and Page 2005). In this sense, it is important to recognize (as Adam Smith certainly did) that for some disadvantaged populations, greater access to markets becomes an effective strategy for challenging existing inequalities.

22 Although, we should emphasize, what many view as a retreat from globalization through most of the twentieth century, actually involved the continued advance of common patterns of thought and behavior. To take but one example, national state building through the twentieth century, for example, involved the construction of rational institutions and procedures (in the operation of both markets and governments) that were key to facilitating commodity, financial and policy-making flows in the latter part of the century.

23 This is probably what Wallerstein (1974: 127) aimed at in indicating that “[f]ree labor is the form of labor control used for skilled work in core countries whereas coerced labor is used for less skilled work in peripheral areas. The combination thereof is the essence of capitalism. When labor is everywhere free, we shall have socialism.”
Bibliography


Figure 1. Historical Trends in Between-Country Inequality: 1820 - 2004

Figure 2. Inequality Trends for Selected High-Income Countries

Notes: Gini indices based on households, net disposable income
Figure 3. Inequality Trends in India and China

**National Estimates**

![Gini Index for National Estimates](image)

**Rural Households**

![Gini Index for Rural Households](image)

**Urban Households**

![Gini Index for Urban Households](image)

Notes: One series, one survey for India. Gini indices based on households, consumption.

Multiple series, two surveys for China. Gini indices based on households, disposable income.

Source: WIID (2005)
## Table 1. Economic Measures in China by Selected Regions, 2003

![Table 1. Economic Measures in China by Selected Regions, 2003](image)

(Figures are yuan, per capita)

<table>
<thead>
<tr>
<th>Region</th>
<th>Rural Households</th>
<th>Urban Households</th>
<th>Rural/Urban Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Living Expenditures</td>
<td>Disposable Income</td>
<td>Income from Wages and Salary</td>
</tr>
<tr>
<td>National Average</td>
<td>1,943</td>
<td>2,622</td>
<td>918</td>
</tr>
<tr>
<td>Southeastern, Coastal Regions</td>
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<td></td>
<td></td>
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<tr>
<td>Shanghai</td>
<td>5,670</td>
<td>6,654</td>
<td>5,252</td>
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<tr>
<td>Guangdong</td>
<td>2,927</td>
<td>4,055</td>
<td>1,966</td>
</tr>
<tr>
<td>Zhejiang</td>
<td>4,258</td>
<td>5,389</td>
<td>2,575</td>
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<tr>
<td>Jiangsu</td>
<td>2,704</td>
<td>4,239</td>
<td>2,189</td>
</tr>
<tr>
<td>Western, Interior Regions</td>
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<td></td>
<td></td>
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<td>Yunnan</td>
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<td>Gansu</td>
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<td>1.673</td>
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<tr>
<td>Xinjiang</td>
<td>1,465</td>
<td>2.106</td>
<td>140</td>
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## Table 2. Education and Health Measures in India by Selected States, 1998-1999

<table>
<thead>
<tr>
<th>Measure</th>
<th>India</th>
<th>Kerala (South)</th>
<th>Goa (West)</th>
<th>Bihar (East)</th>
<th>Rajasthan (North)</th>
<th>Madhya Pradesh (Central)</th>
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</thead>
<tbody>
<tr>
<td>Literate population, over 6 years old (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>51</td>
<td>85</td>
<td>75</td>
<td>35</td>
<td>37</td>
<td>45</td>
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<tr>
<td>Male</td>
<td>75</td>
<td>93</td>
<td>89</td>
<td>63</td>
<td>72</td>
<td>72</td>
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<tr>
<td>Years of schooling (median)</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Female</td>
<td>2</td>
<td>7</td>
<td>7</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Male</td>
<td>6</td>
<td>8</td>
<td>8</td>
<td>4</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Births attended by health professional (%)</td>
<td>42</td>
<td>94</td>
<td>91</td>
<td>23</td>
<td>36</td>
<td>30</td>
</tr>
<tr>
<td>Children receiving all vaccinations (%)</td>
<td>42</td>
<td>80</td>
<td>83</td>
<td>17</td>
<td>14</td>
<td>25</td>
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<tr>
<td>Under-5 Mortality (per 1,000 live births)</td>
<td>95</td>
<td>19</td>
<td>47</td>
<td>105</td>
<td>115</td>
<td>138</td>
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Source: IIPS and ORC Macro (2000)